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Sussman Properties Limited

Annual Report 1969

Highlights

	1969	1968
Income	**$ 708,192**	$ 472,161
Profit before Income Taxes	**$ 223,061**	$ 135,199
Net Profit for the Year	**$ 108,535**	$ 96,879
Net Profit per Share	**16.7¢**	20.8¢
Total Assets	**$10,752,393**	$1,645,865
Retained Earnings (Deficit)	**$ 27,504**	($ 81,031)
Shares Outstanding, December 31	**800,627**	465,627

Wilder Ranch and Beach site, 2,200 acres near Santa Cruz, California.

Sussman Properties Limited

Head Office: Britannica House, 151 Bloor Street West, Toronto, Canada

Board of Directors

A. J. W. Arnoldi
Edwin A. Goodman, Q.C.
George Hefter
Lloyd R. Ludwig
Henry B. Sussman
Noel Zeldin

Officers

Henry B. Sussman, *President*
Noel Zeldin, *Vice President*
Lloyd R. Ludwig, *Vice President*
A. J. W. Arnoldi, *Vice President*
Michael Klein, *Treasurer*

Transfer Agent and Registrar

The Guaranty Trust Company of Canada
Toronto, Montreal

Corporate Counsel

Goodman & Goodman
Toronto

Auditors

Wm. Eisenberg & Company, Chartered Accountants
Toronto

Subsidiaries

H. B. Sussman Associates Limited
H. B. Sussman Associates (Quebec) Limited
Merit Janitorial Services Limited
Moroto Investment Company Limited
Noldon Investments Limited
Avon Shopping Centre Ltd.
The Sussman Realty Corporation of New York
Downtown Brampton Realty Limited

Branch Offices

Garneau Towers
8510 - 111th Street, Edmonton, Alberta
George Bennett, *Manager*

Northgate & Avon Shopping Centres
Albert St. and 7th Ave. North
Regina, Saskatchewan
Gordon Gill, *Manager*

Report to the shareholders

The increase in profit in 1969 is directly attributable to commissions earned by our brokerage division, H. B. Sussman Associates Limited, and rental revenue from our various leasehold interests, resulting in a 12 per cent growth in net profits over 1968. The infusion of approximately $3,000,000 into the Company through the issuance of treasury shares has added significantly to working capital and net worth and has enabled your Company to make sizeable investments in real estate projects in Canada and the United States.

Net profit for the year amounted to $108,535 or 16.7 cents per share compared with last year's $96,879 or 20.8 cents per share after adjusting to reflect the issuance of 335,000 treasury shares during 1969.

Wilder Ranch, California

The Company further broadened its base of international operations this year by acquiring the 2,200 acre oceanfront Wilder Ranch property through our wholly-owned subsidiary, Moroto Investment Company Limited. The Wilder Ranch and Beach site is adjacent to the University of California Campus at Santa Cruz, and is one of the few large tracts of land left in the area of the City of Santa Cruz with immediate development potential. We are currently proceeding with the appropriate authorities in California to move this development through its various preliminary stages without delay.

Hollywood Fashion Center, Florida

Construction has begun on two shopping centers in the United States in which your Company has an interest. One is the "Hollywood Fashion Center" in Hollywood, Florida, which will cater primarily to fashion-oriented retail stores. Major retailers have already finalized arrangements to occupy the majority of the space available. Under construction is Burdine's, a well known U.S. department store chain, with completion scheduled for October, 1970. Three other major department store chains, J. C. Penney, Jordan Marsh and Richard's will also be building stores in the Fashion Center for opening in 1972. Sussman Properties Limited has retained a 32 per cent participation in the development, after having sold a portion of its original 50 per cent interest during the year to a group of our investors.

London Square, Wisconsin

The other United States shopping center is "London Square" in Eau Claire, Wisconsin, in which your Company has made an investment by way of a loan which can be converted at our option into 25 per cent of the equity of the shopping center. Construction has begun and leases have been finalized for 90 per cent of the retail area including such major tenants as Sears-Roebuck, F. W. Woolworth and Pranges Department Store. The shopping center will draw from a market area of approximately 300,000 people and is scheduled for total completion in 1971.

Brokerage Division

Our Brokerage Division, H. B. Sussman Associates Limited, under the direction of A. J. (Tony) Arnoldi, was extremely active during the year. Staff was expanded to accommodate the increased business activity and the entire division underwent a reorganizing process that enabled it to perform more efficiently during the year. The Brokerage Division contributed substantially to earnings and has become a vital force within our overall setup.

Merit Janitorial Services Limited

Subsequent to our year end, we formed Merit Janitorial Services Limited as a wholly-owned subsidiary of Sussman Properties Limited, to provide cleaning services to offices in the Metropolitan Toronto area. Initially, Merit is servicing approximately 400,000 square feet of office space and is expected to increase its number of servicing contracts as it becomes better known. We are fortunate to have Mr. Leonard J. Jackson head this new company. Mr. Jackson has had many years of experience in the commercial cleaning industry and will be instrumental in the growth and development of our new subsidiary which will also branch out into consulting services, upholstery, drapery and rug cleaning.

Leasehold Interests

The several properties in Toronto, Regina, Calgary and Edmonton in which Sussman Properties Limited has a leasehold interest continue to add to the revenue of the Company and will remain a source of continuous cash flow and earnings for future years. During the year, the Swansea Shopping Centre in Toronto was completed and sold by way of syndication to a group of our investors and leased back to the Company.

It was considered advisable to dispose of our interest in apartment land in Vancouver and this was accomplished at a profit in 1969.

During the year, we were retained as project managers for the building constructed by M.C.A. (Music Corporation of America) at its new Canadian Head Office in Willowdale. Our Brokerage Division acted as leasing agent and our Management Division continues to manage the building which is now almost fully leased, on behalf of M.C.A.

The Company has recently completed construction of a warehouse and showroom for Consumer Distributing Co. Ltd. in Whitby. This building has already been sold to a group of syndicate investors in 1970.

The progress made by Sussman Properties Limited and its subsidiaries during 1969 has continued the trend of recent years toward increasing annual revenues from leasehold interests, brokerage and management fees. With our widened scope of operations and the establishment of new, related services, Sussman Properties Limited is in an excellent position to enhance its profitability through growth and diversification.

We express our thanks to our associates, staff and shareholders for their interest and efforts during the year.

On behalf of the Board of Directors

Henry B. Sussman
President

LEASEHOLD INTERESTS

Location	Leased Area	Percentage Owned by Sussman
102 Bloor St. West, Toronto, Ont.	150,000 sq. ft.	100%
151 Bloor St. West, Toronto, Ont. (Britannica House)	200,000 sq. ft.	48%
Avon Shopping Centre, Regina, Saskatchewan	80,000 sq. ft.	100%
Charter Towers, Calgary, Alta.	309 suites	100%
Garneau Towers, Edmonton, Alta.	309 suites	100%
Swansea Shopping Centre, Toronto, Ont.	35,000 sq. ft.	100%
Northgate Shopping Centre, Regina, Sask.	250,000 sq. ft.	100%
UNDER CONSTRUCTION		
London Square Shopping Center Eau Claire, Wisconsin	400,000 sq. ft.	25%
Hollywood Fashion Center Hollywood, Florida	820,000 sq. ft.	32%
FUTURE DEVELOPMENT		
Wilder Ranch Santa Cruz, California	2,200 acres	100%

Sussman Properties Limited

(Incorporated under the laws of the Province of Ontario)
and Subsidiary Companies

Consolidated balance sheet

as at December 31, 1969
(with comparative figures for 1968)

assets

	1969	1968
Cash and Deposit Receipts	**$ 174,818**	$ 102,473
Cash in Bank — Clients' Trust	**11,964**	315
Accounts and Loans Receivable — Current	**272,461**	121,687
— Deferred (Note 2)	**1,107,923**	171,429
Interest Receivable	**76,177**	1,987
Income Taxes and Special Refundable Taxes Recoverable (Note 16)	**2,751**	21,511
Prepaid Expenses and Sundry Assets	**12,225**	51,559
Deposits and Options	**81,269**	28,631
Real Estate Held for Resale and Under Development (Note 3)	**8,168,028**	439,139
Due From Affiliates (Note 4)	**106,945**	105,261
Investments — At Cost (No Quotable Market Value)	**21,897**	21,903
Mortgages Receivable (Note 8)	**336,500**	250,000
Furniture and Equipment — At Cost Less Accumulated Depreciation (Note 5)	**30,495**	20,503
Leasebacks — At Cost Less Accumulated Amortization (Note 6)	**94,640**	55,167
Excess of Purchase Price of Shares in Subsidiaries Over Net Book Value	**254,300**	254,300
	$10,752,393	$1,645,865

APPROVED ON BEHALF OF THE BOARD:

Henry B. Sussman, *Director*

Noel Zeldin, *Director*

auditors' report

To the Shareholders of
Sussman Properties Limited.

We have examined the consolidated balance sheet c
consolidated statements of earnings and retained earning
examination of the financial statements of Sussman Properti
included a general review of the accounting procedures a
evidence as we considered necessary in the circumstanc
examined the financial statements of a joint venture and ano

In our opinion, these consolidated financial stateme
December 31, 1969 and the results of their operations and
accordance with generally accepted accounting principles a

Toronto, Canada.
June 1, 1970

See accompanying notes to the

liabilities

	1969	1968
Bank Indebtedness (Secured — Note 7)	**$ 128,600**	$ 29,435
Due to Clients re Trust Account	**11,964**	315
Accounts Payable and Accrued Liabilities	**505,730**	147,931
Clients' Deposits	**44,725**	52,121
Mortgages Payable (Note 8)	**5,412,900**	637,968
Income Taxes Deferred (Notes 9 and 16)	**203,756**	98,380
Loans Payable (Note 10)	**713,825**	42,357
	$ 7,021,500	$1,008,507

shareholders' equity

Capital Stock (Note 11)	**$ 3,695,889**	$ 710,889
Contributed Surplus	**7,500**	7,500
	$ 3,703,389	$ 718,389
Retained Earnings (Deficit)	**27,504**	(81,031)
	$ 3,730,893	$ 637,358
	$10,752,393	$1,645,865

sman Properties Limited as at December 31, 1969 and the source and use of cash for the year then ended. Our mited and those subsidiaries of which we are the auditors, ch tests of the accounting records and other supporting /e have relied on the reports of the auditors who have ubsidiary.

resent fairly the financial position of the companies as at source and use of their cash for the year then ended, in d on a basis consistent with that of the preceding year.

WM. EISENBERG & CO.,
Chartered Accountants

solidated financial statements.

Sussman Properties Limited

(Incorporated under the laws of the Province of Ontario)
and Subsidiary Companies

Consolidated statement of earnings and retained earnings

for the year ended December 31, 1969
(with comparative figures for 1968)

	1969	1968
Earnings		
Income		
Commissions, Fees and Other Revenue	**$576,005**	$397,409
Interest Earned	**115,387**	28,896
Dividends Earned	**16,800**	9,600
Profit From Sale of Investments	**—**	36,256
	$708,192	$472,161
Expenses		
Selling, General and Administrative Expenses	**$408,474**	$301,873
Depreciation and Amortization	**10,930**	7,376
Interest Expense	**65,727**	27,713
	$485,131	$336,962
Net Profit Before Income Taxes	**$223,061**	$135,199
Income Taxes Payable — Current	**$ 14,871**	$ 3,440
— Deferred (Note 9)	**99,655**	34,880
	$114,526	$ 38,320
Net Profit for the Year	**$108,535**	$ 96,879
Earnings Per Share (Note 15)	**16.7¢**	20.8¢
Retained Earnings		
Deficit at Beginning of the Year	**($ 81,031)**	($177,910)
Net Profit for the Year	**108,535**	96,879
Balance (Deficit) End of the Year	**$ 27,504**	($ 81,031)

See accompanying notes to the consolidated financial statements.

Sussman Properties Limited

(Incorporated under the laws of the Province of Ontario)
and Subsidiary Companies

Consolidated statement of source and use of cash

for the year ended December 31, 1969
(with comparative figures for 1968)

	1969	1968
Source of Cash		
Operations		
Net Profit for the Year	**$ 108,535**	$ 96,879
Add: Charges Not Requiring Cash Outlay		
Depreciation and Amortization	**10,930**	7,376
Deferred Income Taxes	**99,655**	34,880
Total From Operations	**$ 219,120**	$139,135
Proceeds from the Issue of 335,000 Common Shares (Note 11)	**2,985,000**	—
Mortgage Proceeds	**4,774,932**	637,968
Increase (Decrease) in Loans Payable	**671,468**	(21,045)
Increase (Decrease) in Bank Indebtedness	**99,165**	(74,115)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	**357,763**	(24,275)
	$9,107,448	$657,668
Use of Cash		
Increase in Deposits, Options, and Real Estate Held for Resale and Under Development	**$7,781,527**	$437,675
Increase in Accounts, Loans and Mortgages Receivable	**1,173,768**	60,808
Acquisition Furniture and Equipment	**19,121**	5,643
Acquisition of Leasebacks	**41,274**	55,770
Increase in Other Assets Less Increase in Other Liabilities	**19,413**	44,478
	$9,035,103	$604,374
Increase in Cash and Deposit Receipts	**$ 72,345**	$ 53,294

See accompanying notes to the consolidated financial statements.

Sussman Properties Limited

(Incorporated under the laws of the Province of Ontario)

and Subsidiary Companies

Notes to the consolidated financial statements

December 31, 1969

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of all active subsidiaries. These statements also include the proportionate share of assets and liabilities pertaining to the companies' interest in joint ventures. The Sussman Realty Corporation of New York, Santa Cruz Realty Inc. of California, Merit Janitorial Services Limited, and Downtown Brampton Realty Limited, all wholly owned subsidiaries, did not engage in any significant active commercial business in 1969 and are not consolidated herein.

2. ACCOUNTS AND LOANS RECEIVABLE — DEFERRED

Accounts Receivable	—	$ 254,943
Loans Receivable	—	852,980
		$1,107,923

Deferred accounts receivable are due as follows:

1971	—	$ 79,500	
1972	—	49,600	
1973	—	49,600	
1974 and subsequently	—	76,243	— Payable approximately $10,000 per annum until paid
		$ 254,943	

Deferred loans receivable bear interest at approximately 12% per annum and are due as follows:

1971	—	$ 242,988	(a)
1972	—	4,583	
1974 and subsequently	—	605,409	(b)
		$ 852,980	

(a) The Company has an option to apply a loan receivable of $215,755, due in 1971, as full payment for the acquisition of a 25% interest in a shopping centre presently being erected in Eau Claire, Wisconsin.

(b) $403,606 of this amount is repayable by the borrower not later than two years after the opening for business to the public of stores constituting 80% of the gross leasable area of a shopping centre presently being built in Hollywood, Florida, under a co-tenancy arrangement. In the opinion of management, this condition will be fulfilled in 1974. The balance of $201,803 is then repayable from the monies available from the shopping centre before any distribution of income is made to the co-tenants.

3. REAL ESTATE HELD FOR RESALE AND UNDER DEVELOPMENT

These properties are shown at cost, and include carrying charges and other expenses directly attributable to these properties.

4. DUE FROM AFFILIATES

This includes an amount of $60,851 owing from an affiliated Company. This Company has received, and has appealed, a re-assessment in respect of its income taxes. If the re-assessment is valid, it would impair the affiliate's ability to pay this debt. In the opinion of counsel, the validity of the re-assessment is doubtful.

5. FURNITURE AND EQUIPMENT

Cost	—	$63,927
Less: Accumulated Depreciation	—	33,432
		$30,495

The rates of depreciation used are the maximum allowed under the Canadian Income Tax Act.

6. LEASEBACKS

The Company has purchased, sold, and leased back, certain real estate properties, which, it is expected, will earn income over the duration of the leases. The Company has capitalized the costs incurred in obtaining these leasebacks and amortizes these costs over the term of the leases. No profit was made in the current year on the sale of leased back properties.

7. BANK INDEBTEDNESS

The Bank holds, as security, a general assignment of book debts.

8. MORTGAGES PAYABLE

Particulars of these mortgages are as follows:

(a) Mortgages on real estate under development and held for resale.

Maturity Date	*Interest*	*Principal Outstanding*
*February, 1970	12%	$ 100,000
June, 1970	8% - 15%	795,500
April, 1972	7¼%	70,000
September, 1972	8¼%	14,400
August, 1974	8%	87,250
July, 1981	4% - 6%	4,095,750
		$5,162,900

* This mortgage was repaid in 1970.

No significant amount of principal is to be paid on these mortgages before maturity except the mortgage payable of $4,095,750, the principal sum of which is repayable by thirty (30) equal semi-annual installments commencing January 2nd, 1972. The mortgagee can, at his option, demand payment of the principal balance outstanding at any time on or after July 2nd, 1981. Interest is chargeable on the outstanding balance at 4% per annum until July 2nd, 1975 and thereafter at 6% per annum.

(b) Mortgage secured by mortgage receivable and other assets.

Maturity Date	*Interest*	*Principal Outstanding*
February, 1970	11%	$ 250,000

The security given consists of an assignment of a mortgage in the amount of $250,000 due to the Company, a leasehold interest owned by the Company, and other assets the balance sheet values of which are not significant. This mortgage has been refinanced by a loan in 1970 at 15% per annum and is due January, 1971. The security given is essentially the same as described above.

9. INCOME TAXES — DEFERRED

For income tax purposes, the Company and certain of its subsidiaries have reported their incomes on the excess of cash receipts over cash disbursements. The total net deferred income taxes payable is estimated at $203,756 in respect of amounts not yet actually received but which have been included in the balance sheet as receivable. In the year that these amounts are received, the deferred taxes will become currently payable.

10. LOANS PAYABLE

This includes an amount of $430,000 bearing interest at 12% per annum, maturing November 1, 1973. Collateral for this loan includes:

(a) A mortgage on a property in Hollywood, Florida, in which a subsidiary of the Company is a 50% co-owner.

(b) All the shares of the subsidiary company which is the co-owner.

(c) All amounts due to the Company in respect of loans made to the co-ownership. In addition, the lender owns 36% of the issued shares in the subsidiary company, that is the 50% co-owner in the joint venture. The lender can require repayment of the loan, upon giving 90 days notice to the Company, up to December 31, 1971, after which date the principal and interest outstanding become a direct liability of the co-ownership. If the lender is repaid by the Company on or before December 31st, 1971, the Company will assume the collateral described in 10 (a) and (b) and will then own all the shares of the subsidiary Company.

11. CAPITAL STOCK

Common shares without nominal or par value

Authorized 1,440,619

Issued and Fully Paid 800,627 (1968 — 465,627)

Changes in capital stock during the year

(a) 200,000 common shares were issued for $1,500,000 cash.

(b) 135,000 common shares were issued as payment for the purchase of all common shares of Moroto Investment Company Limited (incorporated under the laws of the Bahama Islands). Although permission to increase the maximum consideration for which common shares may be issued was not received from the Provincial Secretary, and formal closing of this transaction was not completed until 1970, the financial statements give effect to an agreement made between the Company and the shareholders of Moroto Investment Company Limited dated June 19, 1969, whereby these shares were issued for a price of $1,485,000 which is the book value of the acquired subsidiary.

(c) 3,500 share purchase warrants were granted for arranging the private placement of 200,000 common shares referred to in (a) above. These warrants expire in 1972 and entitle the holders thereof to purchase 3,500 common shares at a price of $7.50 each.

12. COMMITMENTS AND CONTINGENT LIABILITIES

Minimum annual rents totalling approximately $1,531,800 are payable under long term leaseback arrangements made by the Company and its subsidiaries. Net rent income in connection with these leasebacks is in excess of rent expense.

13. MANAGEMENT REMUNERATION

Remuneration to the Officers, Directors and senior employees, and management fees paid amounted to $162,677 in 1969. In 1968, the total remuneration and management fees amounted to $137,300.

14. FOREIGN EXCHANGE

For purposes of these financial statements, conversion of U.S. funds into Canadian currency has been made at the rate of $1.00 U.S. = $1.075 Canadian.

15. EARNINGS PER SHARE

This was based on the weighted average of shares outstanding during the year.

16. POST BALANCE SHEET EVENTS

The Company was re-assessed by the Department of National Revenue in May, 1970, in an amount of $123,000. No corresponding re-assessments have been issued by the Ontario Corporations Tax Branch. The Company is appealing the re-assessment, and in the opinion of tax counsel, has an excellent case to reverse a significant portion of this re-assessment. No provision for this liability has been made in the balance sheet.

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AR23

SUSSMAN PROPERTIES LIMITED

Report for the Six Months Ended June 30, 1970

HEAD OFFICE: BRITANNICA HOUSE
151 BLOOR STREET WEST, TORONTO, CANADA

To the Shareholders:

Results for the six months ended June 30, 1970 show a small profit after full provision for income taxes. Because of the nature of our real estate business, six months figures are not indicative of the full year's expected results.

Our shopping centre developments are progressing as anticipated in both Hollywood, Florida and Eau Claire, Wisconsin. We have recently acquired participation in a regional shopping centre to be constructed in Knoxville, Tennessee. These three shopping centre developments in the United States should contribute to the future profits of the Company.

The operation of our real estate brokerage subsidiary was affected by the general slowdown in the economy during the first half of 1970. However, indications are that this source of revenue should contribute to improved earnings for the second half.

I am pleased to report that I have been appointed a director of the Pacific Development Fund and the Pacific Investment Fund to assist in their acquisition of land and investment properties in the various countries bordering on the Pacific Ocean, including Canada and the United States. These appointments give our Company access to new opportunities in North America and will enable us to participate in a wide range of activities.

Our various programs are proceeding according to plan and we look forward to a continuation of the profitable growth trend that we have established over the past few years.

H. B. Sussman

HENRY B. SUSSMAN,
President.

SUSSMAN PROPERTIES LIMITED

(Incorporated under the Laws of the Province of Ontario)

AND ITS WHOLLY OWNED SUBSIDIARIES

Interim Consolidated Statement of Earnings

For the Six Month Period Ended June 30, 1970
(With Comparative Figures for the Six Month Period Ended June 30, 1969)

(Subject to Year End Adjustment and Audit)

INCOME	1970	1969
Commissions, Fees and Other Revenue	**$370,956**	$ 256,162
Interest Earned	**76,716**	48,623
	$447,672	$ 304,785
EXPENSES		
Selling, General and Administrative Expenses	**$379,003**	$ 187,122
Interest Expense	**55,296**	29,110
Depreciation and Amortization	**5,650**	4,711
	$439,949	$ 220,943
NET PROFIT BEFORE INCOME TAXES	**$ 7,723**	$ 83,842
Less: Income Taxes Payable	**7,205**	37,123
Net Profit for the Period	**$ 518**	$ 46,719

SUSSMAN PROPERTIES LIMITED

(Incorporated under the Laws of the Province of Ontario)

AND ITS WHOLLY OWNED SUBSIDIARIES

Interim Consolidated Statement of Source and Use of Funds

For the Six Month Period Ended June 30, 1970
(With Comparative Figures for the Six Month Period Ended June 30, 1969)

(Subject to Year End Adjustment and Audit)

SOURCE OF FUNDS	1970	1969
Net Profit for the Period	**$ 518**	$ 46,719
Depreciation and Amortization (Not Requiring Outlay of Cash)	**5,650**	4,711
Proceeds from Sale of Fixed Assets	**3,000**	—
Proceeds from sale of Treasury Stock	—	1,500,000
	$ 9,168	$1,551,430
USE OF FUNDS		
Net Acquisition of Fixed Assets	**$ 17,147**	$ 10,679
	$ 17,147	$ 10,679
Net (Decrease) Increase in Funds	**($ 7,979)**	$1,540,751